

## Message Text

CONFIDENTIAL

PAGE 01 STATE 174089  
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/EGY:CAKENNEDY:MM

APPROVED BY NEA:N A VELIOTES

AID/NE/EI:G KAMENS

AID/NE:J WHEELER (DRAFT)

S/S-O:SVALERGA

-----080649 110224Z /66

O P 110209Z JUL 78

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

INFO AMEMBASSY DOHA PRIORITY

USLO RIYADH PRIORITY

CONFIDENTIAL STATE 174089

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EAID, EG, US

SUBJECT: ARAB AID TO EGYPT

REF: A. CAIRO 15990, B. PARIS 19398, C. KUWAIT 3694

D. KUWAIT 3788

1. RECALLING PREVIOUS INSTRUCTIONS AND ADDRESSEES' CONVERSATIONS WITH HOST GOVERNMENT OFFICIALS ON ARAB AID TO EGYPT, WE BELIEVE WE HAVE NO ALTERNATIVE BUT TO ASK ACTION ADDRESSEES TO RAISE ISSUE AT POLITICALLY SENSITIVE LEVEL BEFORE THE JULY 15 MEETING OF GODE GOVERNORS. OUR OWN CONGRESSIONAL SUPPORT FOR CONTINUED HIGH AID LEVELS WILL

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BE HARDER TO SUSTAIN UNLESS ARAB DONORS COME FORWARD SOON, ESPECIALLY IF SUCH DELAYS CAUSE EGYPT TO TAKE UNECONOMIC ACTIONS, E.G. RESORT TO SHORT TERM CREDIT LINES.

2. REFTELS SPELL OUT IN SOME DETAIL EGYPT'S AID REQUIREMENTS THIS YEAR AND GODE'S RELUCTANCE TO DATE TO MAKE EXPLICIT COMMITMENT OF NEW BALANCE OF PAYMENTS AID NEEDED

TO COVER ESTIMATED DOLS 650 MILLION GAP FOR REST OF CY 1978. IN SUM, EGYPT NEEDS NEW AID COMMITMENTS FROM GODE OF ROUGHLY DOLS ONE BILLION FOR BALANCE OF CY 1978, WITH DISBURSEMENTS FROM THIS AID OF ABOUT HALF A BILLION THIS YEAR, AND BALANCE OF DISBURSEMENTS NEXT YEAR.

3. EMBASSIES MAY DRAW ON FOLLOWING POINTS IN RAISING ISSUE WITH HOST GOVERNMENTS:

A. RECENT CONSULTATIVE GROUP MEETING IN PARIS WAS SUPPORTIVE OF EGYPT'S NEEDS AND THE DIRECTION IT IS MOVING TO CORRECT ITS ECONOMIC IMBALANCES. DONORS SEEMED TO RECOGNIZE THAT CONTINUED SUPPORT IS NECESSARY IF EGYPT IS TO PURSUE ITS ECONOMIC MANAGEMENT AND DEVELOPMENTAL GOALS AND TO CONTINUE TO STRENGTHEN ITS DOMESTIC STRUCTURE.

B. BOTH THE IMF AND THE IBRD HAVE ESTIMATED THAT EGYPT'S UNCOVERED FINANCIAL NEEDS THIS YEAR AMOUNT TO ABOUT \$650 MILLION AND THAT EGYPT NEEDS A MIX OF CASH, COMMODITY FINANCING AND PROJECT COMMITMENTS IF IT IS TO SUSTAIN AND IMPROVE ITS FINANCIAL CONDITION.

C. THE UNITED STATES AND THE ARAB DONORS SHARE COMMON OBJECTIVES IN AIDING EGYPT. NEITHER THE UNITED STATES NOR EGYPT'S OTHER MAJOR DONORS WANT TO UNDERMINE SADAT'S

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POSITION BY WITHHOLDING SUPPORT WHICH COULD BE INTERPRETED AS A CHANGE IN THE DONORS' POLICIES.

D. THE UNITED STATES IS ABLE TO MAINTAIN HIGH LEVELS OF ECONOMIC ASSISTANCE PARTLY BECAUSE THE ARAB NATIONS ARE GENEROUS IN THEIR EFFORTS TO HELP EGYPT. IF ARAB AID WERE NOT FORTHCOMING AS IT HAS BEEN IN THE PAST, EFFORTS OF OTHER DONORS COULD BE AFFECTED ADVERSELY.

E. WE ARE HOPEFUL THAT GODE WILL MAKE KNOWN ITS AID LEVELS SOON AND THAT THIS AID WILL TAKE INTO ACCOUNT EGYPT'S NEEDS FOR VARIOUS TYPES OF FINANCING AS OUTLINED BY THE WORLD BANK.

F. IF GOVERNMENTS RAISE THE ISSUE OF NOT WANTING TO BE EGYPT'S SOURCE OF LAST RESORT, YOU MAY POINT OUT THAT GODE APPARENTLY HAS ELECTED ITSELF TO THIS POSITION. WE HAVE URGED GODE AND OTHER ARAB DONORS TO MAKE THEIR AID TO EGYPT AVAILABLE ON MORE REGULAR AND CONSISTENT BASIS. WE REALIZE THAT GODE MAY HAVE DELAYED ADDITIONAL AID COMMITMENTS FOR CY 1978 UNTIL GOE-IMF AGREEMENT IN PLACE. ARAB ROLE IN HOLDING OFF NEW AID TO INSURE PROGRESS IN

IMF-GOE NEGOTIATIONS MAY HAVE BEEN SIGNIFICANT. ALSO, GODE MEMBERS WANTED IBRD ESTIMATES ON FINANCIAL NEEDS BEFORE DECIDING ON AID LEVELS. NOW, AS URGED BY U.S. AT PARIS CG MEETING, ALL CG DONORS SHOULD QUOTE STAY THE COURSE UNQUOTE AT THIS CRUCIAL TIME FOR EGYPT, AND IT IS MOST IMPORTANT THAT ARAB DONORS SIGNAL THEIR INTENT TO DO THIS.

G. EMBASSIES ALSO MAY WISH TO POINT OUT THAT U.S. STILL PUTTING ONE HALF OF ITS NEW AID COMMITMENTS IN ESSENTIALLY BOP SUPPORT (PL 480 AND COMMODITIES IMPORT PROGRAM), AND THAT ABOUT 85 PERCENT OF U.S. AID DISBURSEMENTS THIS YEAR WILL COME FROM THIS SUPPORT. WHILE U.S. RECOGNIZES KUWAITI AND OTHER GODE DONORS' INTEREST IN SHIFTING TO

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PROJECT AID, WE BELIEVE IT ESSENTIAL THAT SUCH SHIFT BE GRADUAL AND DONE IN SUCH A WAY THAT DISBURSEMENT LEVELS WILL BE ADEQUATE DURING THE NEXT SEVERAL CRUCIAL YEARS.

4. FYI: WORLD BANK SHARES U.S. CONCERN RE NEED FOR GODE DONORS TO MAKE TIMELY COMMITMENT NOW. IBRD VICE PRESIDENT FOR NEAR EAST BENJENK HAS URGED GOE (THROUGH AMBASSADOR GHORBAL AT EMBASSY HERE) TO MAKE STRONGEST POSSIBLE CASE TO GODE FOR NEW AID COMMITMENTS. BENJENK HAS ALSO URGED U.S. TO USE GOOD OFFICES WITH PARTIES INVOLVED TO FACILITATE POSITIVE REACTION FROM ARAB DONORS. END FYI.

5. REQUEST EMBASSIES APPROACH APPROPRIATE HIGH LEVEL, POLITICALLY ORIENTED OFFICIALS BEFORE THE JULY 15 MEETING.

6. FOR CAIRO: WHILE WE HAVE ASKED EMBASSY KUWAIT MAKE APPROACH OUTLINED ABOVE, IN LIGHT REF D, BELIEVE IT NECESSARY FOR YOU TO ADVISE GOE THAT WE BELIEVE A DIRECT HIGH LEVEL EGYPTIAN APPROACH TO KUWAIT, I.E. SADAT TO AMIR, IF KUWAIT IS TO BE BUDGED ON THIS SUBJECT. VANCE

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INFO OCT-01 ISO-00 SSO-00 /016 R

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DRAFTED BY:NEA/EGY:CAKENNEDY

APPROVED BY: NEA/EGY:CEMARTHINSEN

SXS-O:MKENNEDY

-----104379 121029Z /10

R 112200Z JUL 78

FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT

CONFIDENTIAL STATE 174089

EXDIS

FOLLOWING REPEAT STATE 174089 ACTION ABU DHABI CAIRO JIDDA

INFO DOHA RIYADH DATED JUL 11:

QTE: CONFIDENTIAL STATE 174089

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CHRISTOPHER

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
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**Draft Date:** 11 jul 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Status:** NATIVE  
**Subject:** ARAB AID TO EGYPT  
**TAGS:** EFIN, EAID, EG, US, TC  
**To:** ABU DHABI CAIRO MULTIPLE  
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